BUSINESS & LABOR
EXHIBIT NO. 5
DATE 2-9-11
BILL NO. SB 243

MHA

AN ASSOCIATION OF MONTANA HEALTH CARE PROVIDERS

Testimony on SB 243
February 9, 2011
Bob Olsen, Vice President, MHA

MHA appreciates this opportunity to state our opposition to SB 243 and to comment on this proposal to substantially amend the Montana Workers' Compensation statutes. MHA appears today representing hospitals and other health care providers. Hospitals employ more than 20,000 people statewide. Hospitals also provide a significant amount of care to injured workers. Workers' compensation is an important issue to us, as employers and as medical providers.

There are three major reasons for Montana's high workers' compensation premiums are: We injure workers at a greater rate than any other state; injured workers remain on workers comp benefits longer than in any other state; and, injured workers consume more medical services than in any other state. But Montana does not pay the highest fees of any State. In other words, the fee schedule used by Montana is not the problem.

MHA opposes SB 243. We do so primarily because the bill makes several changes to the workers' compensation statutes that assure premium costs will increase. Because SB 243 adds benefits to the existing system, the bill also includes a provision that pays for higher benefits for injured workers by reducing the payments made to hospitals and physicians. The only substantial savings projected by the LMAC proposal include reducing hospital payments by as much as 24% and by making a similar reduction to physician rates.

We've attached a table that gives you the MHA estimate about the how this proposed language mandates reductions to current hospital rate schedules.

The payment cuts are proposed in addition to the imposition of utilization and treatment guidelines, a policy that has already been put into administrative rules and has provider training scheduled.

Hospitals and physicians were not at the table when LMAC was considering its policy changes. LMAC may have met for more than 3 years, but cutting medical fee schedules was not on the table until last summer. In fact, the original version of the LMAC bill never mentioned provider rates. LMAC urged, and the Department proposed, to cut the medical payment rates through administrative fiat alone.

House Bill 87 was the original LMAC sponsored legislation. That bill included language to cap workers' compensation payments to hospitals at 165% of Medicare payment amounts. SB 243 goes further. SB 243 proposes to establish hospital payments at no less than 135% of the Medicare payment rate. In either HB 87, or SB 243, medical payment rates must be reduced.

LMAC has stated that its goals are to pay hospitals for the cost to provide care, plus a reasonable (and modest) profit margin. This goal was echoed by Rep. Chuck Hunter before the House Business and Labor Committee during the hearing for HB 87.

Hospitals and doctors were invited to bring their data and supporting information to demonstrate why the fee schedules should not be cut. The question arises, "Is it reasonable to make these reductions?" The data show that Montana hospitals are now being paid about 105% of treatment costs. 11 hospitals shared their data with the Department of Labor, 6 hospitals are paid above costs, while 5 are paid below costs.

MHA believes LMAC's stated goal for medical payments is met with the current fee schedule.

- Montana hospitals paid under the Department's fee schedules are receiving about 54% of our billed charges. We think this shows that workers were not alone in taking less over the years since the last time Montana reformed its statutes.

- Montana hospitals generally receive lower payments for hospital care compared to our neighboring states.

    - Oregon pays its hospitals using a hospital –specific cost plus method, usually paying rates greater than 54% of charges.
    - Idaho pays its hospitals with more than 100 beds 85% of billed charges, and hospitals with fewer than 100 beds 90% of charges.
    - Washington uses a DRG-bases system, and has the base price set at $9,244, while Montana's system is $7,735. We are not sure exactly how different the ne prices are, since the states use dissimilar weights.
    - North Dakota uses the same base system as Montana, and appears to pay hospitals within 5% of the amount paid here. North Dakota has the lowest premiums, while Montana has the highest. But the difference does not appear to rest upon the amount paid to hospitals.

MHA expects to continue to work with the Department on a sustainable fee schedule for the future during the next two years. In the meantime, we expect to gain experience with the utilization and treatment guidelines to determine whether they successfully address the utilization of medical care.

Hospitals and physicians are doing their part to address Montana's workers' compensation costs. We aren't getting a "pass". Providers will face lower payments as the utilization and treatment guidelines affect coverage for services.

Please join us in opposing SB 243.

Financial Impact of SB 243
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Changes to Facility Inpaient Base Rate	Current Base*	2011 Medicare Base	135% of Medicare Base	150% of Medicare Base	165% of Medicare Base
Base Price for Inpatient Care		$ 5,584	$ 7,538	$ 8,376	$ 9,214
Implant Adjustment: 18.5%		$ 1,033	$ 1,395	$ 1,550	$ 1,705
Additional Outliers: 3.4%		$ 190	$ 256	$ 285	$ 313
Adjusted Equivalent Payment	$ 7,735	$ 4,361	$ 5,887	$ 6,542	$ 7,196
Percent Reduction to Price			24%	15%	7%
Total Work Comp Charges	$ 43,895,924		$ 43,895,924	$ 43,895,924	$ 43,895,924
Total Work Comp Payments	$ 23,529,556		$ 23,529,556	$ 23,529,556	$ 23,529,556
Net Payments after Reduction			$ 17,909,507	$ 19,899,452	$ 21,889,397
Dollar Change			$ 5,620,049	$ 3,630,104	$ 1,640,159
Total WC Cost	$ 22,318,947		$ 22,318,947	$ 22,318,947	$ 22,318,947
Percent of Cost Paid by Work Comp	**105%**		**80%**	**89%**	**98%**
Percent of Charge Paid	**54%**		**41%**	**45%**	**50%**

* Base Price reflects adjustment for Implantable Devices and Outliers.
Does Not Include St. James Community Hospital, Great Falls Clinic Medical Center.